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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2001 AND ENDING 12/31/2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

AIG Equity Sales Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

70 Pine Street, 17th Floor

(No. and Street)

New York

New York

10270

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Walter R. Josiah

212-770-5371

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name — if individual, state last, first, middle name)

1177 Avenue of the Americas

New York

New York

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 22 2002

**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

3/21

OATH OR AFFIRMATION

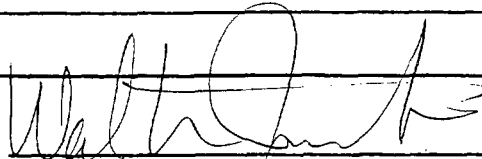
I, Walter R. Josiah, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AIG Equity Sales Corp., as of December 31, ~~19~~2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Lori A. Cinciva
Notary Public
Registration #
01C16008248

State of New York

My Appointment Expires 6/08/02

Notary Public



Signature

President

Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

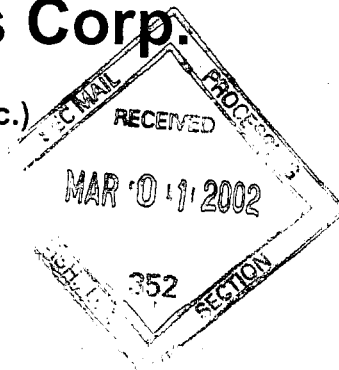
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AIG Equity Sales Corp.

(a wholly owned subsidiary of
American International Group, Inc.)

Balance Sheet

December 31, 2001



PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York NY 10036
Telephone (646) 471 4000
Facsimile (646) 471 4100

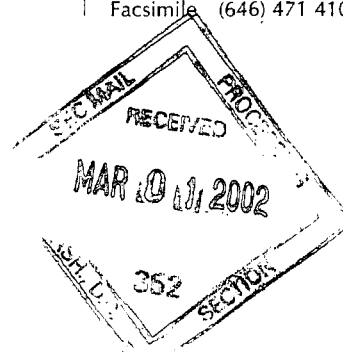
Report of Independent Accountants

To the Board of Directors and Stockholder of
AIG Equity Sales Corp.:

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of AIG Equity Sales Corp. at December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 18, 2002



AIG EQUITY SALES CORP.

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(a wholly owned subsidiary of American International Group, Inc.)

Balance Sheet**December 31, 2001****Assets**

Cash	\$ 832
Short-term investments (Note 4)	636,676
Accounts receivable	48,608
Equity investment (Note 4)	4,146,502
Other assets	<u>16,413</u>
Total assets	<u>\$ 4,849,031</u>

Liabilities and stockholder's equity**Liabilities:**

Accounts payable and accrued expenses	\$ 11,884
Payable to AIG and affiliates, net	9,755
Other liabilities	<u>10,000</u>
Total liabilities	<u>31,639</u>

Stockholder's equity:

Common stock, \$10 par value per share; authorized 10,000 shares; issued and outstanding 1,500 shares	15,000
Additional paid-in capital	4,731,962
Retained earnings	<u>70,430</u>
Total stockholder's equity	<u>4,817,392</u>
Total liabilities and stockholder's equity	<u>\$ 4,849,031</u>

The accompanying notes are an integral part of this financial statement.

AIG Equity Sales Corp.
(A wholly owned subsidiary of American International Group, Inc.)
Notes to Balance Sheet

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1. Business and Organization

AIG Equity Sales Corp. (the "Company") is a wholly owned subsidiary of American International Group, Inc. ("AIG"), and is registered under the Securities Exchange Act of 1934 as a broker-dealer in securities. The Company, under agreements, receives underwriting fees for distributing various variable insurance products issued by certain life insurance subsidiaries of AIG. The Company is also a sub-distributor and servicing agent for class B shares of the AIG Money Market Fund, a separate series of the Advisor's Inner Circle Fund, a registered investment company.

The Company is also engaged in the distribution of certain other financial products which are sponsored, created, or issued by AIG and its subsidiaries, and participates in securities lending activities in an agency capacity.

2. Basis of Accounting

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

3. Income Taxes

The operations of the Company are included in the consolidated federal tax return of AIG. As a result, any taxes due or owed are paid or received from AIG. However, the Company files separate state and local tax returns. Payable to AIG and affiliates, net, included in the balance sheet, includes \$32,879 for federal income tax due from AIG.

4. Investments

Short-term investments consist primarily of the AIG Money Market Fund, which is an SEC registered mutual fund managed by an affiliate of the Company, and is carried at cost plus accrued interest, which approximates fair value.

Equity investment consists of warrants to purchase shares of NASDAQ common shares, carried at cost which approximates fair value.

5. Securities and Exchange Commission Rule 15c3-3 Exemption

As the Company does not carry customer accounts, it is an introducing (or fully disclosed) broker-dealer. This exempts it from the provisions of Rule 15c3-3 under paragraph (k) (2) (ii), whereby the Company must carry no margin accounts, promptly transmit all customer funds and deliver all securities received in connection with its activities to the clearing broker-dealer, and not otherwise hold funds or securities for, or owe money or securities to, customers.

6. Net Capital Requirement

The Securities and Exchange Commission's "Uniform Net Capital Rule" (Rule 15c3-1), requires the Company to maintain minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

AIG Equity Sales Corp.
(A wholly owned subsidiary of American International Group, Inc.)
Notes to Balance Sheet

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At December 31, 2001, the Company's net capital was \$485,781, which was \$435,781 in excess of its required net capital of \$50,000. The Company's net capital ratio was .29 to 1.

7. Expense and Subsidy Reimbursement Agreement

Pursuant to an agreement between AIG and the Company, AIG will provide reimbursements to the Company for expenses incurred in such an amount as is required so that the Company's operating income before taxes is not less than \$150,000 on an annual basis. No payments were made under this agreement in 2001.

AIG charges the Company for certain administrative services. Payable to AIG and affiliates, net, includes taxes, revenues, and expense amounts due to and due from AIG and affiliates